Financial Services
Commission
of Ontario

2013 Statement of Priorities

June 2013

Introduction

The Financial Services Commission of Ontario (FSCO) is an integrated financial services regulator responsible for regulating insurance, pension plans, credit unions and caisses populaires, mortgage brokering, loan and trust companies, and co-operative corporations in Ontario. FSCO is an agency of the Ministry of Finance established under the Financial Services Commission of Ontario Act, 1997 (FSCO Act).

FSCO's legislative mandate is to provide regulatory services that protect the public interest and enhance public confidence in the sectors it regulates. As an organization, FSCO is committed to being a progressive and fair regulator, working with stakeholders to support a strong financial services industry and protect the interests of financial services consumers.

FSCO is comprised of a five-member Commission, the Superintendent of Financial Services and staff.

The Financial Services Tribunal (FST) is an expert adjudicative tribunal established under the FSCO Act. The FST is charged with hearing applications and appeals from certain decisions made or proposed by the Superintendent.

Section 11 of the FSCO Act requires that FSCO publish in *The Ontario Gazette* and deliver to the Minister of Finance by June 30 of each year a statement setting out FSCO's proposed priorities and the reasons for adopting these priorities.

This is FSCO's 16th Statement of Priorities. It outlines FSCO's and the FST's priorities and planned initiatives for the coming year, as well as includes a report-back section listing FSCO's key accomplishments in the previous year.

Philip Howell
Chief Executive Officer and
Superintendent of Financial Services

John M. Solursh
Chair
Financial Services Commission of Ontario
Financial Services Tribunal

FSCO's Core Business

FSCO delivers regulatory services that protect the public interest and enhance public confidence in the regulated sectors. It makes recommendations to the Minister of Finance on matters affecting the regulated sectors. FSCO's core business areas can be categorized into three main functions:

- Regulatory functions
- Program delivery, which include: Dispute Resolution Services; the Pension Benefits Guarantee Fund; and the Motor Vehicle Accident Claims Fund
- Enabling functions, which include: communications; corporate services; planning; information technology; and legal services

As of February 28, 2013, FSCO licensed or registered:

- 343 insurance companies
- 46,756 insurance agents
- 4,385 corporate insurance agencies
- 1,501 insurance adjusters
- 1,143 mortgage brokerages
- 106 mortgage administrators
- 2,550 mortgage brokers
- 9,389 mortgage agents
- 7,641 pension plans
- 144 credit unions and caisses populaires
- 59 loan and trust corporations
- 1,758 co-operative corporations

The Environment

Businesses in FSCO's regulated sectors are responding to challenging market conditions which continue to be influenced by domestic and international macro-economic developments, as well as evolving consumer expectations that impact product development and distribution.

For pension plans, the situation is improving slowly. Although 2012 was a better year than expected for pension plan investment returns, many defined benefit plans face funding shortfalls as they continue to deal with a low interest rate environment and increased pensioner longevity – factors that increase liabilities on the pension plan balance sheet.

Ontario's auto insurance system continues to face challenges associated with fraud and misuse of the system, which, if left unchecked, will contribute to rising premiums.

Legislative and regulatory frameworks need periodic re-evaluation to remain relevant in the financial services marketplace. The Mortgage Brokerages, Lenders and Administrators Act, 2006, the Credit Unions and Caisses Populaires Act, and a component of the Insurance Act are all subject to statutory reviews.

In 2013, FSCO will assist the Ministry of Finance in the review of the Mortgage Brokerages, Lenders and Administrators Act, 2006.

For the auto insurance system, the 2013 Ontario Budget contained a legislative amendment to consolidate into a single three-year review the following statutory reviews:

- Part VI of the Insurance Act
- Statutory Accident Benefits Schedule
- Risk classification and rate determination regulations

In 2013, FSCO will initiate the first consolidated review with the aim of making recommendations to improve the effectiveness and administration of automobile insurance.

FSCO's Focus

Risk-Based Regulation

FSCO focuses on and allocates resources toward identifying situations that pose the highest risk to pension plan members and consumers in the regulated sectors. FSCO routinely examines its operational activities and practices to identify opportunities to expand its risk-based approach and better direct regulatory efforts in proportion to risks identified in each sector.

Combatting Fraud

The government continues to focus on reducing auto insurance fraud and premiums in Ontario. New initiatives announced in the past two Ontario Budgets included the establishment of an Auto Insurance Anti-Fraud Task Force (Task Force) and a heightened focus on evidence-based approaches for the treatment and recovery of auto accident injuries.

In 2012, the Task Force assessed the extent and nature of fraud in Ontario's auto insurance system. FSCO worked with the Task Force's steering committee and working groups to develop recommendations to enhance efforts to reduce auto insurance fraud. In late 2012, the government released the final report of the Task Force which included 38 recommendations. Working with the government, FSCO will implement changes in the areas of fraud prevention, detection and enforcement.

In 2012, FSCO launched a fraud awareness social media strategy. Through its Twitter account – @FSCOTweets – it highlights consumers' and industry representatives' rights and responsibilities when it comes to fraud prevention, detection and reporting.

2013 Budget

The Budget passed by the Ontario government in June 2013 contained several initiatives focussed on the sectors FSCO regulates. FSCO will work with the Ministry of Finance on these initiatives.

International Insurance Core Principles

In 2013, the International Monetary Fund will be assessing Canada's capacity to adhere to the International Association of Insurance Supervisors' Insurance Core Principles. The principles prescribe the essential elements of a supervisory regime that provide an adequate level of policyholder protection and promote a financially sound insurance sector.

FSCO is taking steps to ensure alignment with the international standards for market conduct regulation. A self-assessment of compliance has been undertaken with the new standards. As well, working with the Ministry of Finance, FSCO undertook a review of insurance solvency regulations. FSCO released a paper to consult on proposed changes to the Insurance Act to provide that solvency of the few remaining non-mutual Ontario-incorporated insurance companies could be supervised by a regulator (provincial or federal) that meets the standards of the International Association of Insurance Supervisors.

2011 Auditor General Report

The 2011 Annual Report of the Auditor General of Ontario included a Value-for-Money Audit of FSCO's regulatory oversight of auto insurance in Ontario. FSCO acknowledged that while Ontario's auto insurance regulatory regime is sound, the auditor's recommendations would strengthen FSCO's regulatory oversight.

In 2012, FSCO completed several measures to address the recommendations in the report. FSCO:

- Actively supported the work of the Auto Insurance Anti-Fraud Task Force, whose final report was issued in November 2012.

- Mandated annual attestations by auto insurers to ensure appropriate accident claims administration by auto insurance companies.
- Implemented an administrative monetary penalty system for the insurance sector.
- Updated and documented policies and procedures for making auto insurance rate filing decisions.
- Made a substantial reduction in the statutory auto insurance benefits mediation backlog.
- Published a corporate performance management framework and service standards for private passenger auto rate filings.

FSCO is on track to implement other key recommendations in the report such as:

- The development of a new Minor Injury Treatment Protocol.
- The examination of cost-containment strategies for Ontario's auto accident claims costs.
- The continued reduction of the dispute resolution backlog. FSCO aims to assign all files and eliminate the dispute resolution backlog in 2013.

Performance Measures & Improved Service

Government and regulators need to meet the increasing service expectations of consumers. To this end, FSCO works to continuously improve performance throughout the organization and deliver services in a cost-efficient and effective manner. FSCO's Performance Management Framework is designed to ensure that the organization:

- Provides greater transparency, accountability and value for money.
- Measures what it does and focuses on results that matter.
- Defines success and delivers outcomes.

FSCO's Performance Management Framework contains the organization's strategic outcomes and accompanying performance measures. These are used to gauge the success of short- to medium-term activities against long-term targets. FSCO monitors performance against these standards regularly and reports the results on its website annually.

Customer Service Commitment

FSCO's Customer Service Commitment outlines the levels of quality service the public and our regulated sectors can expect from FSCO. The commitment identifies FSCO's service principles, which guide the organization to meet or exceed client needs and expectations.

FSCO's Customer Service Commitment promotes its service culture and meets the requirements of:

- The Accessibility for Ontarians with Disabilities Act, 2005
- The Common Service Standards of the Ontario Public Service (OPS)
- The OPS Accessible Customer Service Policy

Accountability

As an agency, FSCO is accountable to the government, the regulated sectors and the public. Through annual publications such as the Statement of Priorities and the Annual Report, FSCO reports on how it fulfills its mandate by detailing accomplishments, describing current activities and outlining future work.

2013 FSCO Initiatives

FSCO's 2013 initiatives reflect major projects where FSCO will make progress in the coming year. Many of FSCO's initiatives are complex, span several years and involve various partners, including: consumers; pension plan members; industry associations; financial institutions; national organizations of regulators; and the federal and provincial governments.

The following chart summarizes the initiatives and organizes them according to strategy and function. Detailed descriptions of the initiatives follow.

STRATEGIES	1. Review and recommend changes to better mitigate risk	2. Increased efficiency, effectiveness and transparency	3. Communicate, share knowledge and engage our staff and stakeholders	4. Coordinate with other Canadian regulators in the financial services industry
INITIATIVES	**1.1** Design and implement an information technology Enterprise Development Program **1.2** Work with the Ministry of Finance to implement a cost- and rate-reduction strategy for auto insurance **1.3** Respond to the recommendations of the Auto Insurance Anti-Fraud Task Force **1.4** Respond to Auditor General's 2011 Value-for-Money follow-up audit **1.5** Enhance auto insurance information and analysis **1.6** Review and implement requirements for usage based auto insurance **1.7** Work with Ministry of Finance on statutory and system reviews **1.8** Develop Minor Injury Treatment Protocol **1.9** Work with the Ministry of Finance to develop and implement changes to the definition of Catastrophic Impairment **1.10** Work with the Ministry of Finance to complete a review of insurance company solvency regulation leading to recommendations for changes to the Insurance Act **1.11** Develop proposals to modernize disciplinary hearings for insurance agents and adjusters **1.12** Conduct life insurance and mortgage broker product suitability reviews	**2.1** Support transition of Pension Hardship Unlocking functions to financial institutions	**3.1** Implement fraud awareness stakeholder engagement strategy	**4.1** Develop harmonized life agent licence qualification national standard **4.2** Create a national disciplinary actions database **4.3** Work with other auto insurance rate regulators on common rate filing issues and requirements **4.4** Work with other regulators on common regulatory approaches to alternative pension plan designs

2013 FSCO Initiatives in Detail

Strategy 1: Review and recommend changes to better mitigate risk

1.1 Design and implement an information technology Enterprise Development Program

FSCO will develop a web-based information technology system offering integrated services to stakeholders by giving them one-window access for all of their dealings with FSCO. Stakeholders will be able to check or renew licences, submit filings, pay fees and do other related tasks through one online access point. This initiative supports FSCO's efforts to develop new or enhanced risk-based regulatory approaches that better allocate resources and integrate regulatory efforts, and align with FSCO's priority of continuous service improvement.

In early 2013, FSCO laid the groundwork for this project by finalizing a business case and project plan for developing the IT system. The first phase of the project includes the enterprise licensing system, the pension system and the Auto Insurance Division – Motor Vehicle Accident Claims Fund system.

1.2 Work with the Ministry of Finance to implement a cost- and rate-reduction strategy for auto insurance

FSCO will work with the Ministry of Finance on the implementation of legislative amendments from the 2013 Budget that commit to an average auto insurance rate reduction of 15 percent within a period of time to be determined by regulation, and provide the Superintendent with authority to require insurers to re-file their rates for approval.

FSCO will develop and implement plans for auto insurers to take rate reductions based on the new legislative and regulatory framework.

1.3 Respond to the recommendations of the Auto Insurance Anti-Fraud Task Force

On November 22, 2012, the Ministry of Finance released the final report of the Auto Insurance Anti-Fraud Task Force (Task Force) which detailed findings on the impact of fraud on Ontario's auto insurance system. The report made 38 recommendations to enhance the anti-fraud role of each participant in the auto insurance system, including: consumers; insurers; health care and legal professionals; FSCO; and the government. The recommendations focus on four key areas:

- Prevention
- Detection
- Investigation and Enforcement
- Regulatory roles

FSCO is addressing several recommendations. It is working with stakeholders to develop a consumer engagement and education strategy, and developing an anti-fraud hotline.

FSCO will work with the Ministry of Finance to implement a proposal of the 2013 Ontario Budget which will give the Superintendent the authority to licence and oversee the business practices of health care service providers (health care clinics and practitioners) who invoice auto insurers.

FSCO will continue to work with the Ministry of Finance to implement other recommendations from the Task Force, as directed by the government.

1.4 Respond to Auditor General's 2011 Value-for-Money follow-up audit

FSCO is addressing recommendations made in the 2011 Annual Report of the Office of the Auditor General of Ontario on the regulatory oversight of auto insurance in Ontario. The recommendations aim to reduce fraud, control claims costs and

premiums, provide fair processes for resolving statutory accident benefit disputes, and increase transparency.

The 2012 Ontario Budget included two initiatives that address the auditor's recommendations on Statutory Accident Benefits claims costs and dispute resolution services: harmonization of statutory reviews, and a review of the dispute resolution system. FSCO will work with the Ministry of Finance to support both initiatives. As well, FSCO will continue to aggressively tackle the mediation backlog through the use of a private dispute resolution service provider. FSCO will eliminate the mediation backlog in 2013.

In 2013, FSCO will begin its review of the auto insurance system which will include a review of cost containment strategies and benefit levels in other provinces.

Examine auto insurance rate filing benchmark provisions

FSCO considers several factors in reviewing the reasonableness of rates proposed by insurers. The Return on Equity (ROE) is one of them. Currently, FSCO uses an ROE benchmark of 12 per cent.

The Ontario government endorsed a study being conducted on the ROE used in reviewing auto insurance rate filings.

FSCO expects a report on the study including recommendations by mid-2013.

Compliance activities

FSCO is expanding its auto insurance attestation to require information on processes and controls used by insurers for claims, in addition to the use of approved rates, risk classification systems and underwriting rules. Further on-site examinations of insurers will take place in 2013.

Initiatives implementing many of the other recommendations found in the Auditor General's Annual Report such as auto insurance anti-fraud strategies and implementation of performance measures, are reported elsewhere in this document.

1.5 Enhance auto insurance information and analysis

FSCO will conduct a closed claims study on third-party liability bodily injury claims in Ontario. The study will analyze claims from selected insurers and gather data on factors contributing to cost changes. This analysis will help FSCO evaluate the potential impact of any future changes in the auto insurance system on bodily injury (tort) claims.

Along with stakeholders, FSCO will review the data available through the Health Claims for Auto Insurance (HCAI) system and determine whether additional information on statutory accident benefits needs to be generated outside the HCAI system.

FSCO will review and analyze financial information collected by the General Insurance Statistical Agency (GISA) on Ontario's auto insurance industry. FSCO will work with GISA to update statistical information publications. The work in this area will enhance auto insurance information and analysis to support a risk-based regulatory approach.

1.6 Review and implement requirements for usage-based auto insurance

Usage-based auto insurance means that an automobile's insurance premium is based on how much an automobile is driven, or how the automobile is driven, as measured by an on-board telematics device.

FSCO supports innovation in the market; it is examining key regulatory issues and working with the auto insurance sector to ensure consumers are fairly treated when implementing voluntary usage-based auto insurance rating programs.

1.7 Work with Ministry of Finance on statutory and system reviews

In 2013, FSCO will be conducting, or assisting the Ministry of Finance in conducting, reviews of several of the acts and regulatory frameworks that it administers to ensure they remain relevant and effective.

FSCO will assist the Ministry of Finance with a mandated five-year review of the Mortgage Brokerages, Lenders and Administrators Act, 2006.

FSCO will also lead a review of the auto insurance system, including the Statutory Accident Benefits Schedule and the risk classification and rate determination regulations.

1.8 Develop Minor Injury Treatment Protocol

In keeping with the government's direction to ensure that, where possible, insurance regulations reflect the most relevant science on identifying and treating injuries from automobile accidents, FSCO has retained medical and scientific experts to develop an evidence-based Minor Injury Treatment Protocol. The protocol, which is subject to approval by government, is intended to form the basis of a new Minor Injury Guideline. It may be used by insurers and health care service providers when treating minor injuries resulting from automobile accidents, and provide a continuum of care based on current scientific and medical evidence.

The new protocol will help those with minor injuries recover as quickly as possible, while reducing the flow of money to unnecessary and fraudulent treatments. It is also anticipated that the treatment protocol will help reduce statutory accident benefits disputes in the auto insurance system.

Once available, FSCO will seek feedback from automobile insurance stakeholders on findings from the Minor Injury Treatment Protocol Project.

In the 2013 Ontario Budget, the government proposed to intensify its existing auto insurance cost- and rate-reduction strategy by basing auto insurance benefits on medical evidence. The government asked FSCO to provide an interim report in 2013 on the progress of the Minor Injury Treatment Protocol project.

1.9 Work with the Ministry of Finance to develop and implement changes to the definition of Catastrophic Impairment

In June 2012, the Ministry of Finance released the *Superintendent's Report on the Definition of Catastrophic Impairment in the Statutory Accident Benefits Schedule* and collected written comments on the report. FSCO will work with the Ministry of Finance to support the development and implementation of any recommended changes to the definition of catastrophic impairment based on these comments.

1.10 Work with the Ministry of Finance to complete a review of insurance company solvency regulation leading to recommendations for changes to the Insurance Act

In May 2012, FSCO released a consultation paper, *Improving Solvency Supervision of Insurance in Ontario*. The majority of respondents agreed that the existing system creates duplication and offers no clear benefit to the province.

In the 2013 Ontario Budget, the government proposed introducing legislative amendments to require all insurance companies doing business in Ontario (with the exception of those that are members of the Fire Mutuals Guarantee Fund) to be incorporated in jurisdictions where solvency is regulated in accordance with modern international standards.

FSCO will work with the Ministry of Finance to review solvency regulation under the Insurance Act and support the necessary legislative changes.

1.11 Develop proposals to modernize disciplinary hearings for insurance agents and adjusters

FSCO will make recommendations to government about modernizing the disciplinary process for insurance agents and adjusters under the Insurance Act, which has been in place for 90 years.

FSCO will consult on proposals to create a model that aligns with the modern disciplinary, licensing, and enforcement processes and standards used in the other sectors FSCO regulates.

1.12 Conduct life insurance and mortgage broker product suitability reviews

FSCO is conducting product suitability reviews to gather information on how insurance and mortgage brokering intermediaries make product recommendations and how intermediaries assess the financial literacy of their clients. The reviews aim to determine whether consumers have access to appropriate information to make informed decisions when purchasing life insurance and entering into mortgage contracts.

FSCO is conducting reviews in parallel with the Canadian Council of Insurance Regulators and the Mortgage Broker Regulators Council of Canada.

Strategy 2: Increased efficiency, effectiveness and transparency

2.1 Support transition of Pension Hardship Unlocking functions to financial institutions

The 2012 Ontario Budget announced changes to align FSCO's financial hardship unlocking program for pensions with all other forms of access to locked-in accounts where applications are made directly to financial institutions.

The 2013 Ontario Budget reported the development of proposed regulations intended to streamline the financial-hardship unlocking process for Ontario-regulated locked-in accounts.

FSCO will work with the Ministry of Finance to review draft regulations that would implement the changes. FSCO will also work with affected stakeholders to ensure a smooth transition of the financial hardship unlocking program to financial institutions.

Strategy 3: Communicate, share knowledge and engage our staff and stakeholders

3.1 Implement fraud awareness stakeholder engagement strategy

Ontario's Auto Insurance Anti-Fraud Task Force (Task Force) identified the importance of engaging and educating consumers on how to detect, prevent and report auto insurance fraud. The Task Force's Consumer Engagement and Education Working Group, which included FSCO, proposed strategies for achieving this. In its final report, the Task Force recommended that the government work with the insurance industry to create an Anti-Fraud Awareness Implementation Group co-chaired by FSCO and the Insurance Bureau of Canada (IBC). FSCO and the IBC will oversee the implementation of a strategy designed to provide consumers with important information about the auto insurance system and fraud at key learning moments.

FSCO will expand its fraud awareness social media outreach across all its regulated sectors. FSCO's strategy is to maximize the reach of messaging about fraud and scams, consumer rights and responsibilities when it comes to fraud prevention, and how FSCO can help. As well, FSCO will partner with law enforcement,

the Ministry of Finance, the Ministry of Consumer Services, and industry associations in joint fraud awareness activities.

Strategy 4: Coordinate with other Canadian regulators in the financial services industry

4.1 Develop harmonized life agent licence qualification national standard

As a member of the Canadian Insurance Services Regulatory Organizations (CISRO), FSCO will support an initiative to develop a harmonized life licence qualification national standard that is aligned with the Agreement on Internal Trade, the Ontario Labour Mobility Act and the Ontario-Quebec Trade and Cooperation Agreement.

4.2 Create a national disciplinary actions database

FSCO will co-chair a project to create a national database of disciplinary actions by insurance regulators across Canada. This project will be conducted under the auspices of the Canadian Council of Insurance Regulators, of which FSCO is a member.

4.3 Work with other auto insurance rate regulators on common rate filing issues and requirements

As a member of the Canadian Automobile Insurance Rate Regulators (CARR) Association, FSCO will support education and training for regulatory staff on issues and trends. FSCO will chair a CARR project to review auto insurance rate filing information requirements for insurers to identify opportunities for standardization across jurisdictions.

4.4 Work with other regulators on common regulatory approaches to alternative pension plan designs

In its Strategic Plan 2012-15, the Canadian Association of Pension Supervisory Authorities (CAPSA) established national initiatives to promote common regulatory approaches and consistent standards for the treatment of new regimes and pension plan designs. As a member of CAPSA, FSCO will support CAPSA's efforts to review the potential risk effects associated with alternative plan designs, and to examine areas for potential coordination and harmonization in the regulatory response to innovations in the pension sector.

Report-back on FSCO Priorities and Key Initiatives from 2012

The following is a report on the progress of key initiatives identified in last year's Statement of Priorities and their contribution to achieving FSCO's regulatory objectives.

Strategy 1: Review and recommend changes to better mitigate risk

Implement enterprise-wide risk-based regulatory approach

In 2012, FSCO launched and completed Phase 1 of a project to develop a FSCO-wide risk-based regulatory approach. In this phase, FSCO conducted an assessment of all of its current risk-based processes, created an inventory of all information currently available to FSCO for the purposes of risk monitoring and assessment, and identified opportunities for risk-based processes where they do not currently exist. The information gathered in Phase 1 is being used in Phase 2, begun in January 2013, as FSCO continues to develop an enterprise-wide risk-based regulatory approach.

In the pensions regulatory area, in 2012, FSCO conducted pilot projects to develop the tools, procedures and processes for guiding basic risk assessments as part of a multi-year implementation of its risk-based regulation framework.

Implement auto insurance recommendations made in the Auditor General of Ontario's 2011 Annual Report

In 2012, FSCO completed or made progress on measures to address the recommendations in the Auditor General of Ontario's 2011 Annual Report on auto insurance regulatory oversight.

FSCO made changes to the rate approvals service standards for private passenger auto rate filings and will continue to monitor its performance each quarter against the published standards.

The independent audit of the financial statements of the Motor Vehicle Accident Claims Fund (MVACF) show that its unfunded liability decreased by $17.7 million between March 31, 2011 and March 31, 2012. FSCO also conducted a study to evaluate whether MVACF would be able to meet its future financial obligations. This study confirmed that it will be able to meet its obligations through 2021-22. In addition, FSCO made recommendations on funding to the Ministry of Finance, which is exploring options to address the projected cash deficit and the unfunded liability.

The Ministry of Finance and the Ministry of Health and Long-Term Care will explore whether external data sources are available to better estimate the health system costs arising from motor vehicle accidents. This data will inform any recommendations on the amount of the health care assessment.

Work with stakeholders to reduce auto insurance fraud

Auto Insurance Anti-Fraud Task Force

As an early response to some of the recommendations outlined in the Auto Insurance Anti-Fraud Task Force's final report, FSCO worked with the Ministry of Finance to develop and implement amendments to three Insurance Act regulations in January 2013. These changes came into force on June 1, 2013 and:

- Require insurers to provide claimants with all reasons for denying a medical or rehabilitation claim.

- Require insurers to itemize expenses in a bi-monthly statement of medical-rehabilitation benefits paid out on a claimant's behalf.
- Increase the role of claimants in fraud prevention by requiring them to confirm their receipt of treatment, goods or other services.
- Make health care service providers subject to sanctions for overcharging insurers for goods and services, and prohibiting them from asking consumers to sign blank claim forms.
- Give insurers the ability to request an additional examination under oath of a claimant when a dispute between insurers arises around coverage responsibilities (Disputes Between Insurers regulation amendment).
- Clarify that Unfair or Deceptive Act or Practice (UDAP) exemptions for lawyers and paralegals only apply when the person is acting in his/her professional legal capacity (UDAP regulation amendment).

Health Claims for Auto Insurance

The Health Claims for Auto Insurance working group is continuing its progress with three pilot initiatives to develop electronic tools which will assist health care service providers and insurers to identify fraudulent activity in the system. These pilot projects were fully reported in the Task Force's final report.

Enhance regulatory oversight of compliance with auto insurance requirements

In 2012, FSCO conducted on-site examinations of 14 auto insurance companies representing 46 percent of the market share and issued a summary report to the industry outlining the results of this process and identifying areas for improvement.

Most automobile insurers will receive the compliance questionnaire over the next three years as FSCO works to enhance regulatory oversight of compliance with auto insurance requirements.

Undertake long-term auto insurance reform initiatives

Minor Injury Treatment Protocol

In 2012, FSCO retained medical and scientific experts to develop an evidence-based Minor Injury Treatment Protocol for injuries that most commonly result from motor vehicle accidents. The development of an evidence-based Minor Injury Treatment Protocol will support Ontario's long-term auto insurance reform initiatives.

Enhance auto insurance information and analysis to support a risk-based approach to regulation

Closed claims study

In fall 2012, FSCO retained consultants to conduct a closed claims study on third party liability bodily injury claims. This study will include a survey of claims from selected insurers and information gathered will inform further policy analysis of auto insurance.

Auto insurance return on equity (ROE) benchmark

Following the recommendation from the Auditor General, FSCO started the review of the ROE benchmark used in reviewing auto insurance rate filings. FSCO retained two finance experts to provide an analysis and a consultation process with stakeholders took place in early 2013.

Industry data

Working through the General Insurance Statistical Agency (GISA), FSCO acted to finalize data required from the industry to analyze the performance of Ontario's auto insurance industry and review rate filings.

Following a multi-year process, GISA issued detailed financial information requirements to

the industry in October 2012, with information to be filed in March 2013.

Implement administrative monetary penalties model in the insurance sector

Administrative monetary penalties (AMPs) encourage regulatory compliance by ensuring individuals and entities do not benefit from misconduct or fraud, and by discouraging unfair or deceptive acts or practices.

In the 2012 Ontario Budget, the government committed to implementing AMPs in order to give FSCO greater control to respond appropriately to noncompliance in the insurance sector. In 2012, FSCO helped the Ministry of Finance develop new regulations to provide for AMPs in the insurance sector. These new regulations came into force on January 1, 2013.

Implementing the administrative monetary penalties model in the insurance sector aligns with the government's commitments to modernize Ontario's financial regulation and regulatory practices by protecting consumers and investors, strengthening regulatory requirements to bolster the stability of financial markets, and adopting more flexible and effective global regulatory practices.

Increase mortgage brokerage compliance

In 2009, FSCO began its audit program for mortgage brokerages with a focus on compliance with the errors and omissions insurance requirement under the Mortgage Brokerages, Lenders and Administrators Act, 2006 (MBLAA). Since the audits began, rates of non-compliance with the errors and omissions insurance requirement dramatically reduced from 30 percent in 2008 to six percent in 2010.

In 2012, FSCO audited mortgage brokers and agents for fulfillment of re-licensing education requirements and found the non-compliance rate was less than one percent.
In 2012, FSCO also continued examinations of several mortgage brokerages to assess compliance with the standards of practice regulation under the MBLAA.

FSCO annually assesses compliance with the Annual Information Return (AIR) filings. For the 2011 filing, due March 31, 2012, there was a non-compliance rate of about three percent for mortgage brokerages and administrators. In these cases, FSCO addressed non-compliance by issuing administrative monetary penalties and letters of caution. FSCO also followed up with mortgage brokerages and administrators whose responses to the AIR questions revealed any possible compliance issues.

These initiatives have contributed to an increase in mortgage intermediary compliance in Ontario.

Strategy 2: Increased efficiency, effectiveness and transparency

Reduce mediation backlog

In 2012, FSCO implemented a number of initiatives that significantly reduced the backlog of mediation files. One of these initiatives was the use of a private dispute resolution service provider. By mid-June, the backlog was reduced to 3,671 files, down 87 percent from 29,142 at the end of March 2012.

In addition, FSCO experienced a reduction in applications for mediation, likely as a result of legislative changes that came into effect in September 2010. In 2012, new mediation applications were down by 33 percent from the previous year. New applications for mediation are being assigned to mediators. The mediation backlog will be eliminated in 2013.

As a result of initiatives to reduce the mediation backlog along with a recent court ruling that mediation fails if not settled within 60 days of the filing of the application, applications for arbitration have increased significantly. Applications grew from 4,784 in 2011 to 8,361 in 2012, representing a 75 percent increase in 12 months. FSCO is assigning up to 500 arbitration files a month to the service provider to assist with the increasing volume of arbitration cases.

Strategy 3: Communicate, share knowledge and engage our staff and stakeholders

Develop and implement social media initiatives and Web 2.0 enhancements for public website

In 2012, FSCO launched a social media strategy to raise awareness about insurance fraud and scams; highlight consumers' and industry's rights and responsibilities through its Twitter account, @FSCOTweets.

FSCO also began co-moderating weekly Twitter chats about financial crime, partnering with Toronto Police's Financial Crimes Unit.

In 2012, FSCO launched a series of industry stakeholder webcasts, webinars, instructional videos and e-newsletters geared at providing regulatory updates, compliance information, and resources to members of FSCO's regulated sectors. FSCO also launched a series of consumer awareness audio/video news segments and online publications offering unbiased easy-to-understand information and tips to consumers on FSCO's regulated sectors.

Enhance pension stakeholder outreach and education

FSCO created a number of resources for pension stakeholders to educate them about recent changes to the Pension Benefits Act and the Family Law Act. These included announcements, extensive FAQs and a series of webinars.

In September 2012, FSCO published *A Guide to Understanding Your Pension Plan*, a web-based guide which provides plan members with easy-to-understand information about how the retirement income system works and the legislation and rules that govern it.

FSCO conducted a two stage survey of pension plan administrators and other users of its online Pension Services Portal (PSP). Feedback was solicited on their experience with the PSP and e-filing in general. Several suggestions were provided and FSCO addressed suggestions for short-term improvements in anticipation of mandatory e-filing, which took effect January 1, 2013. FSCO has also responded to recommendations for the creation of a series of tutorial videos on topics such as PSP account activation and delegating PSP access.

FSCO is working on making continuous improvements to the functionality of the PSP. It recently added the ability to request and receive approval for filing extensions online, and is working towards launching the ability to submit registration applications online for April 2013.

Raise awareness of FSCO's auto insurance filing processes and requirements

In 2012, FSCO released a webcast to stakeholders on aspects of the auto insurance rate filing process. In early 2013, FSCO released a second webcast that focused on complex changes to private passenger automobile insurance rates and risk classification systems.

Strategy 4: Coordinate with other Canadian regulators in the financial services industry

Examine CCIR recommendations regarding distribution of insurance

In September 2012, the Canadian Council of Insurance Regulators (CCIR) released a position paper, *Strengthening the Life MGA Distribution Channel*. This position paper, which contains recommendations for the industry and regulators, represents the culmination of three years of research and consultation by the CCIR's Agencies Regulation Committee on issues surrounding the Managing General Agency (MGA) distribution channel in the life insurance industry. To help insurers implement these recommendations, the paper includes an appendix listing Best Practices for Insurer/MGA Relationships. This paper concludes the work of CCIR's Agencies Regulation Committee on the life insurance MGA portion of their mandate.

Participate in a Working Group established by CCIR to gather the facts surrounding use of credit information by insurers

Following public consultations on an issues paper on credit scoring, CCIR researched a possible correlation between credit scores and insurance claims, and examined how insurers are using credit scores. FSCO participated in this CCIR working group to gather the facts on the use of credit information by insurers.

In November 2012, CCIR released its final report on the use of credit scores by insurers. The report compiles the facts gathered on this issue, discusses potential risks to consumers, and presents a fair summary of stakeholder opinions. It contained no recommendations, but affirmed that the use of credit scoring for insurance remains a controversial issue.

Communicate and coordinate auto insurance regulatory issues through CARR

As a member of the Canadian Automobile Insurance Rate Regulators Association (CARR), in May 2012, FSCO assisted in organizing an education and training session to ensure that regulatory staff are up to date on regulatory trends and issues. FSCO oversaw a working group that is researching regulatory approaches with the potential to improve rate regulation processes.

Work with CAPSA on the development and implementation of CAPSA's Strategic Plan 2012-2015

In June 2012, the Canadian Association of Pension Supervisory Authorities (CAPSA) completed and later released its Strategic Plan for 2012-2015. A committee developed the plan following detailed research, issue identification and stakeholder consultation. The plan outlines CAPSA's initiatives to promote multi-jurisdictional coordination and address common regulatory concerns.

Work with provincial regulators to establish Mortgage Brokers Regulatory Council of Canada

FSCO worked with regulators across Canada to create the Mortgage Broker Regulators' Council of Canada (MBRCC). Formally established in September 2012, the MBRCC provides a forum for mortgage broker regulators across Canada to work together on common regulatory issues and promote harmonization of regulatory practices. The MBRCC appointed its Executive Committee and named FSCO's CEO and Superintendent as a Vice Chair. At the request of the MBRCC, FSCO established a secretariat to support the work of the organization.

On October 30, 2012, the MBRCC formally announced its creation and released its 2012-15 Strategic Plan.

Financial Services Tribunal

The Financial Services Tribunal (FST) is an expert adjudicative tribunal established under the FSCO Act. It is comprised of members appointed to it on a part-time basis.

The FST is charged with hearing applications and appeals from certain decisions made or proposed by the Superintendent, or other authorized persons or entities, under a range of Ontario statutes governing financial services matters including:

- the Credit Unions and Caisses Populaires Act, 1994
- the Insurance Act
- the Loan and Trust Corporations Act
- the Mortgage Brokerages, Lenders and Administrators Act, 2006
- the Pension Benefits Act

FST Priorities and Initiatives at a Glance

VISION	To provide expert adjudicative services to the citizens of Ontario as outlined in the FSCO Act.		
PRIORITIES	To administer all cases before the Financial Services Tribunal in an efficient, fair, accessible and effective manner.		
STRATEGIES	**Maintain a pool of qualified members to adjudicate hearings**	**Expand dialogue with members of the legal profession**	**Update Tribunal practices and procedures**
INITIATIVES	Ensure appropriate expertise is available and allocated to staff panels appointed to hear Tribunal matters.	Continue consultations with the Tribunal's Legal Advisory Committee.	Review and update practices and procedures relating to transparency, public accountability, and the protection of personal information and privacy.
			Develop service standards and a performance management framework.
			Implement newly established mitigation management plan.

FST Priorities and Initiatives in Detail

Ensure appropriate expertise is available and allocated to staff panels appointed to hear Tribunal matters

The scope of matters qualifying for an application or appeal to the FST has substantially expanded over the past few years resulting in an increasingly diverse workload for the FST. The FST Chair is working with the Ministry of Finance and the Public Appointments Secretariat towards the appointment of additional members to ensure appropriate expertise is available and allocated to staff panels appointed to hear FST matters.

Continue consultations with the Tribunal's Legal Advisory Committee

A key focus of the FST is the maintenance of member expertise in financial services and administrative law. Members attain their supplementary education and training from internal and external providers.

Review and update practices and procedures relating to transparency, public accountability, and the protection of personal information and privacy

Like other tribunals, the FST has identified issues concerning confidentiality and freedom of information and is working to achieve the appropriate balance while providing a transparent process.

Develop service standards and a performance management framework

In accordance with the OPS Service Directive, the FST is developing program-specific service standards based on the services offered. An important aspect of the establishment of service standards is the ability to accurately and efficiently monitor performance. Once finalized, these standards will be monitored and their success reported on and published on the FST website.

Implement newly established risk mitigation management plan

The FST's risk mitigation plan was finalized in December 2012, and activities to mitigate risks are implemented or are being implemented.